

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	County	Type	MuniCode
Opinion Date	Audit Submitted	Fiscal Year	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified?
<input type="checkbox"/>	14. If not, what type of opinion is it? <input type="text"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Last Name	Ten Digit License Number		
CPA Street Address	City	State	Zip Code	Telephone
CPA Firm Name	Unit's Street Address	City	Zip Code	

**CITY OF LANSING AND
COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

Financial Statements

For the Year Ended December 31, 2007



REHMANN ROBSON

Certified Public Accountants

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

June 10, 2008

To the Commissioners of the
City of Lansing and County of Ingham
Joint Building Authority Board
Lansing, Michigan

We have audited the accompanying basic financial statements of the *City of Lansing and County of Ingham Joint Building Authority*, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lansing and County of Ingham Joint Building Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Lansing and County of Ingham Joint Building Authority as of December 31, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

City of Lansing and County of Ingham
Joint Building Authority

Statement of Net Assets
December 31, 2007

Assets

Current assets:

Pooled cash and investments	\$ 92,030
Prepaid items	<u>17,818</u>

Total current assets	<u>109,848</u>
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Noncurrent assets:

Unamortized bond issuance costs	122,773
Capital assets not being depreciated	470,000
Capital assets being depreciated, net	<u>18,352,429</u>

Total noncurrent assets	<u>18,945,202</u>
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Total assets	<u>19,055,050</u>
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Liabilities

Current liabilities:

Accrued interest payable	69,765
Unearned revenue	8,908
Current portion of bonds payable	<u>665,000</u>

Total current liabilities	743,673
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Noncurrent liabilities -

Bonds payable, net of current portion	<u>9,030,631</u>
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Total liabilities	<u>9,774,304</u>
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Net assets

Invested in capital assets, net of related debt	9,126,798
Unrestricted	<u>153,948</u>

Total net assets	<u><u>\$ 9,280,746</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Lansing and County of Ingham
Joint Building Authority

Statement of Revenue, Expenses
and Changes in Net Assets
For the Year Ended December 31, 2007

Operating revenue

Lease payments from:

City of Lansing	\$ 603,386
Ingham County	<u>520,194</u>

Total operating revenue	<u>1,123,580</u>
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Operating expenses

Depreciation	986,870
Amortization	43,929
Other operating expenses	<u>37,835</u>

Total operating expenses	<u>1,068,634</u>
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Operating income	<u>54,946</u>
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Nonoperating revenue (expense)

Interest revenue	1,246
Interest expense	<u>(446,891)</u>

Total nonoperating revenue (expenses)	<u>(445,645)</u>
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Change in net assets	(390,699)
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Net assets, beginning of year	<u>9,671,445</u>
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Net assets, end of year	<u><u>\$ 9,280,746</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Lansing and County of Ingham
Joint Building Authority
Statement of Cash Flows
For the Year Ended December 31, 2007

Cash flows from operating activities

Receipts from customers	\$ 1,161,021
Payments to vendors	<u>(53,624)</u>

Net cash provided by operating activities	<u>1,107,397</u>
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Cash flow from capital and related financing activities

Purchase of capital assets	(5,737)
Principal paid on long-term debt	(630,000)
Interest paid on long-term debt	<u>(452,032)</u>

Net cash used in capital and related financing activities	<u>(1,087,769)</u>
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Cash flow from investing activities

Interest revenue received	<u>1,282</u>
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Net increase in cash and cash equivalents	20,910
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Pooled cash and investments, beginning of year	<u>71,120</u>
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Pooled cash and investments, end of year	<u><u>\$ 92,030</u></u>
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**Reconciliation of operating income to net cash provided
by operating activities**

Operating income	\$ 54,946
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	986,870
Amortization expense	43,929
Changes in assets and liabilities:	
Accounts receivable	6,880
Due from other governments	30,561
Prepaid items	(8,910)
Accounts payable	<u>(6,879)</u>

Net cash provided by operating activities	<u><u>\$ 1,107,397</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY

Notes to Basic Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lansing and County of Ingham Joint Building Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

A. Reporting Entity

The Authority was incorporated pursuant to Act 31, Public Acts of Michigan, 1948, as amended. The Authority was created by the City of Lansing, Michigan (the “City”) and the County of Ingham, Michigan (the “County”) for the purpose of acquiring, renovating, furnishing, equipping, operating and maintaining facilities for use in any legitimate public purpose of the incorporating units.

These financial statements represent the financial condition and results of operations of a *joint venture*, as defined under GASB Statement No. 14. Because the joint venture agreement does not provide an explicit contractual formula outlining the participants’ claim to the Authority’s assets, this is deemed to be a *joint venture with no equity interest*. The significance of this distinction is that the joint venture participants will not report an equity interest in the assets of the Authority on the face of their respective financial statements.

No other governmental entities are part of the Authority. Currently, the Authority does not have any employees.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority uses a single proprietary or enterprise fund to account for and report its financial activities, which are limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

CITY OF LANSING AND COUNTY OF INGHAM

JOINT BUILDING AUTHORITY

Notes to Basic Financial Statements

The Authority follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Equity

Cash and Pooled Investments. Cash and pooled investments include amounts in the Ingham County Treasurer's cash management pool, which has the general characteristics of demand deposits in that deposits and withdrawals may be made at any time without prior notice or penalty. State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial papers, repurchase agreements and banker acceptances.

Prepaid Items. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets. Capital assets, which include property, plant and equipment, are recorded at cost. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30
Equipment	5

Long-term Obligations. Long-term debt is reported as a liability in the statement of net assets.

CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY

Notes to Basic Financial Statements

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year-end, the carrying amount of the Authority's deposits in the Ingham County Treasurer's cash management pool was \$92,030. Information regarding the Ingham County Treasurer's cash management pool, including bank balances, insurance coverage and risk categorization, is presented in the Ingham County comprehensive annual financial report, which may be obtained by writing Ingham County Financial Services Division, P.O. Box 319, Mason, Michigan 48854, or by calling (517) 676-7329.

B. Capital Assets

Capital assets activity for the year ended December 31, 2007, was as follows:

	Balance January 1, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2007</u>
Capital assets not being depreciated:				
Land	\$ 470,000	\$ -	\$ -	\$ 470,000
Capital assets being depreciated:				
Buildings and improvements	22,017,409	-	-	22,017,409
Equipment	<u>1,259,041</u>	<u>5,737</u>	<u>-</u>	<u>1,264,778</u>
Total capital assets being depreciated	<u>23,276,450</u>	<u>5,737</u>	<u>-</u>	<u>23,282,187</u>
Less accumulated depreciation for:				
Buildings and improvements	2,935,656	733,914	-	3,669,570
Equipment	<u>1,007,232</u>	<u>252,956</u>	<u>-</u>	<u>1,260,188</u>
Total accumulated depreciation	<u>3,942,888</u>	<u>986,870</u>	<u>-</u>	<u>4,929,758</u>
Total capital assets being depreciated, net	<u>19,333,562</u>	<u>(981,133)</u>	<u>-</u>	<u>18,352,429</u>
Total capital assets, net	<u>\$ 19,803,562</u>	<u>\$ (981,133)</u>	<u>\$ -</u>	<u>\$ 18,822,429</u>

CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY

Notes to Basic Financial Statements

C. Long-term Debt

	Balance January 1 <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
General obligation debt:					
1999	\$ 1,760,000	\$ -	\$ 555,000	\$ 1,205,000	\$ 585,000
2005 refunding	<u>8,970,000</u>	<u>-</u>	<u>75,000</u>	<u>8,895,000</u>	<u>80,000</u>
Subtotal	10,730,000	-	630,000	10,100,000	665,000
Unamortized:					
Discount	(28,139)	-	(2,164)	(25,975)	-
Loss on refunding	<u>(409,927)</u>	<u>-</u>	<u>(31,533)</u>	<u>(378,394)</u>	<u>-</u>
Total	<u>\$ 10,291,934</u>	<u>\$ -</u>	<u>\$ 596,303</u>	<u>\$ 9,695,631</u>	<u>\$ 665,000</u>

The Authority issued limited tax general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations of the Authority and are backed by a Full Faith and Credit General Obligation Lease Contract between the Authority, the City and the County.

At year end, the remaining balance of outstanding defeased bonds due and payable November 1, 2009 was \$8,490,000.

General obligation bonds currently outstanding as of December 31, 2007 are as follows:

\$13,000,000 1999 City of Lansing and County of Ingham Joint Building Authority serial bonds, due in annual installments of \$585,000 to \$620,000 through November 1, 2009; interest at 5.125% payable semi-annual.	\$1,205,000
\$9,105,000 2005 City of Lansing and County of Ingham Joint Building Authority refunding serial bonds, due in annual installments of \$80,000 to \$1,040,000 through November 1, 2019, interest at 3.5% to 4.25% payable semi-annual; callable on or after November 1, 2015 at par with no premium.	<u>8,895,000</u>
Total	<u>\$ 10,100,000</u>

**CITY OF LANSING AND COUNTY OF INGHAM
JOINT BUILDING AUTHORITY**

Notes to Basic Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 665,000	\$ 418,414
2009	695,000	385,634
2010	730,000	351,232
2011	755,000	325,682
2012	785,000	295,482
2013-2017	4,430,000	979,610
2018-2019	2,040,000	129,650
	<u><u>\$ 10,100,000</u></u>	<u><u>\$ 2,885,704</u></u>

III. OTHER INFORMATION

A. Related Party Transactions

The City and County have entered into an agreement with the Authority to lease the facilities acquired and constructed by the Authority. The lease payments are equal to the Authority's debt principal and interest payments. Lease payments for debt service received by the Authority from the City and the County were \$603,386 and \$520,194, respectively.

Other services, such as administrative and accounting services, are being provided to the Authority at no cost by the City and County. The value of such services are inconsequential to the financial statements and, accordingly, are not recorded.

B. Risk Management

The Authority manages its risk exposures through commercial insurance. Settlements, if any, have not exceeded insurance coverage since inception of the Authority.
